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Nation's Restaurant News®
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SECOND CLASS
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Fine-dining trade group jolted to life

Fury at Travel Holiday reunion sparks drive for independent association

NRN Photo
Operators sign up to support the creation of a fine-dining group.

by Paul Frumkin

TORONTO — The annual reunion of Travel Holiday magazine award-winners erupted in anger here as the fine-dining operators assailed the magazine's new dining awards program and called for the creation of an independent trade group representing top-end restaurants in North America.

Frustrated by the prolonged downturn in the fine-dining market and stung by what some perceive as a general disregard on the part of Travel Holiday's editorial staff, the attendees met in ad hoc committees throughout the week in an attempt to develop a unified plan of action.

John Hillock, publisher of Travel Holiday, described the new fine-dining awards policy as largely reflecting consumer price-sensitivity — as opposed to the previous program, which was based on standards of excellence.

The original program, he said, "needed a lot of work. The magazine was losing readers. It was losing money."

John Decker, a consultant for the magazine, added: "The old program was not defensible. It was set up only for the restaurateurs."

The explosion came as a surprise to many at the conference, which in the past has served chiefly as a social event — an opportunity for friends and peers to get together once a year.

More photos of Travel Holiday
See page 7

However, the potential to create an independent fine-dining association appealed to many of the attendees. At one point enthusiastic restaurateurs even lined up to pledge $1,000 each for the formation of an organization that would address the needs of the fine-dining community.

Members burst into spontaneous applause when Warren LeRuth of LeRuth Enterprises in Gretna, La., and

(See FINE-DINING, page 7)

Collins to sell 209 KFC units to Pepsico for $123 million

Franchisee also plans $100M Sizzler buyback

by Richard Martin

LOS ANGELES — Collins Foods International Inc., one of the oldest and largest franchisees of Kentucky Fried Chicken, has agreed to sell its 209 domestic KFC outlets to the chain's parent company, Pepsico Inc., in exchange for Pepsico stock worth about $123 million.

Separately, Collins said it would regroup as a new corporate entity and attempt to boost its 66-percent stake in Sizzler Restaurants International through an exchange of stock with that chain's public shareholders.

Collins officials said the deal could be worth an esti-

(See COLLINS, page 120)

Industry faces slim '91 gain, says IFMA study

by Peter Romeo

NEW YORK — Despite economists' warnings of an imminent recession, a leading foodservice forecaster is predicting that the industry will fare better in 1991 than it has this year.

However, in a detailed report drafted for the International Foodservice Manufacturers Association, Technomic Inc. cautioned that the improvement would be very slight. Sales will probably increase next year in inflation-adjusted or "real" terms by a scant 1.3 percent, compared with a projected 1990 gain of 1.1 percent, the Chicago research house said.

In addition, Technomic's Forecast & Outlook calls for a slowdown in the fast-food segment, with deflated sales predicted to rise by only 2.5 percent in 1991 after swelling by 3 percent this year. And no real growth is foreseen for full-service restaurants.

"There's no getting away from it: It's going to be a slow year," said Technomic analyst Nancy Kruse. But "there are pockets of opportunity."

For instance, Technomic predicted that the food conces-

(See FORECAST, page 4)

A segment-by-segment analysis
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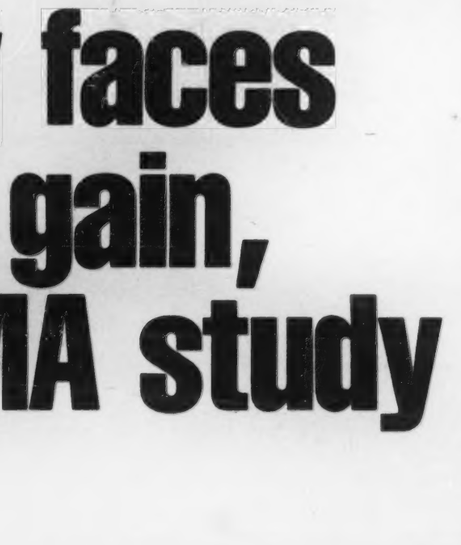
Don't cost-control yourself out of business
See Rick Telberg page 42



Persian Gulf crisis threatens Fla. tourism

Operators fear high gas prices will keep vacationers away

by Jack Hayes

ORLANDO, Fla. — The 1990 hurricane season has arrived, but Florida restaurateurs are worrying more about a storm that could wipe out the state's economy if the Persian Gulf crisis leads to serious shortages of gasoline.

Aware that fall and winter business could be crippled or even devastated by any number of developments in the volatile Persian Gulf, restaurant operators — and their peers in every segment of tourism and hospitality from Miami to Panama City — are struggling to develop contingency plans should the worst happen.

"If the situation blossoms into a crisis, we'll need funds for emergency tourism advertising," said Manny Mighdoll, executive vice president of the

(See CRISIS, page 121)

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Vol. 24, No. 38 September 24, 1990

NEWS BRIEFS

Foodservice sales gain 4.1% in Aug.; rise in food costs less than expected

WASHINGTON — Sales at eating and drinking places rose year-over-year in August by a scant 4.1 percent, marking the third consecutive month of a sales deceleration, according to the U.S. Commerce Department.

However, wholesale food costs did not rise as high as analysts had expected, the U.S. Labor Department reported. Prices for finished consumer foods rose at a 5.3-percent rate, contributing to a 1.3-percent increase in the overall producer price index, the department said.

In June and July, sales at eating and drinking places rose 5.9 percent and 5.4 percent, respectively.

In July the PPI held steady for the second consecutive month with a 5-percent increase.

At the start of the Persian Gulf flare-up, government and industry analysts predicted that concerns about oil and gasoline supplies would substantially raise the PPI's energy and food components. Although energy costs soared 9.6 percent in August, analysts' predictions overshot the forecast for food.

NFL shelves plan to scramble out-of-town games

NEW YORK — Bowing to pressure from fans and beer companies, the National Football League postponed plans to scramble broadcasts of out-of-town football games — to the delight of owners of sports bars that intercept the signals and show the contests to patrons.

"Commissioner Paul Tagliabue has announced that we're putting the plan on ice for the 1990 season," said NFL spokesman Greg Aiello. "We will be reviewing the policy and will come up with one next year."

Jay Love, a spokesman for the United Sports Fans of America, a group representing sports fans, said an Anheuser-Busch boycott helped the NFL change its mind. But the battle is not over, he noted.

"They dropped the scrambling — for now — but they didn't drop the lawsuits," Love said. "They are gearing up their spies for next weekend and will be prosecuting any sports bars that show the games." Love said the USFA is drafting a bill to send to Congress on the issue.

First Pizza Huts open in Moscow

MOSCOW — Red Square has gotten a red roof with the simultaneous opening of Pizza Hut's first two restaurants in the Russian capital's metropolitan area.

Pizza Hut opened a 180-seat full-service restaurant on Gorky Street in Red Square, virtually within the shadows of the Kremlin and McDonald's first unit.

Pizza Hut's second unit is a larger, 370-seat red-roof outlet in the Moscow suburb of Krystal.

A company spokesman said the two units became the chain's highest-volume outlets overnight and are expected to serve 50,000 people a week.

KFC tests new Light n' Crispy

LOUISVILLE, Ky. — In an attempt to provide customers with a lighter, more healthful choice, Kentucky Fried Chicken is testing a new product called Light 'n Crispy Chicken.

The new offering consists of skinless pieces of bone-in chicken, coated with a light, crispy breading and deep-fried in vegetable oil.

KFC spokesman Dick Detwiler said the new product had fewer calories and less fat than KFC's regular product does.

Detwiler also noted that Light 'n Crispy is being tested in Lansing, Mich. He would not say if the product would be rolled out chainwide.

Arby's expands acceptance of charge cards

ATLANTA — Arby's and Mastercard International have entered into an agreement that calls for 650 company-owned Arby's units to begin accepting credit cards.

Arby's, which began testing the use of credit cards in 1987, said it expects about 50 stores to be able to accept either Mastercard or Visa by the end of 1990, while the remainder of the scheduled roast-beef restaurants will have the ability to do so by the end of 1991.

To speed up the card authorization process, Arby's said it would install a specialized satellite broadcasting system allowing the restaurant to process a card in less than three seconds.

According to an Arby's representative, the credit card program would not be mandatory among the chain's licensees.

To support the plan, the two concerns will team up for a $1 million marketing campaign including in-store signage and print and broadcast efforts.

Prime Motor Inns confirms reports that Ch. 11 filing is a possibility

FAIRFIELD, N.J. — Prime Motor Inns, one of the nation's largest innkeepers, has confirmed that it may file for bankruptcy protection if its creditors do not agree to a debt restructuring.

During the week preceding the disclosure, Wall Street had been rife with reports that the operator was contemplating a Chapter 11 filing. The expectation sent Prime's stock price into a tailspin.

Prime purchased a number of motel chains during the latter half of the 1980s, including Howard Johnson, Ramada and Rodeway. The deals transformed the company, once a franchisee of several chains, into one of the industry's largest lodging franchisors. The transactions also saddled Prime with a crushing debt.

Earlier this year, Prime sold the domestic franchise rights to Ramada to Blackstone Holdings, a New York investment company.

Two Pesos chief in group buying James Original

HOUSTON — James Original Coney Island Inc., a bankrupt 14-unit hot-dog chain here, has been acquired for $7.3 million by a group that includes the president of the Two Pesos fast-food chain and the owner of the Fiesta Mart supermarket chain.

The buyers outbid a team that included the owner of Houston-based Thirsty's Inc.

Donald Bonham, owner of Fiesta Mart Inc., and Irvin Kaplan, a former shareholder in the Houston Rockets basketball team, led the winning team. Ghulam Bombaywala, the newly appointed president of Two Pesos Inc. and founder of the Marcos Mexican Restaurant chain, was also a member.

The rival team was led by Jack Trotter, a minority owner of the Houston Astros and J. Read Boles, owner of Houston-based Thirsty's Inc.

Early contenders also included Austin-based Schlotzsky's, which was on the verge of acquiring 67-year-old James Original Coney Island until the deal fell through 11 months ago.

James Original has been operating under the supervision of a bankruptcy court.

McDonald's unit opens in school; 'recycled' store debuts in Ariz.

SAN ANTONIO — A McDonald's franchisee here has opened the chain's first unit in a school, a Catholic facility that the operator's son attends.

Meanwhile, the burger chain is opening a unit made largely of recycled materials, in Tempe, Ariz. The new restaurant is the result of McDonald's pledge to spend as much as $160 million on building materials and supplies made from salvaged waste products.

In Holy Cross High School here, students who gave little business to the school's cafeteria are now munching on Big Macs and fries sold by an on-premises McDonald's. Franchisee Richard Contreras has explained that he opened the outlet because Holy Cross' self-operated cafeteria was losing money. Students, including Contreras' son, had also complained about the fare formerly served in the school lunchroom.

FINANCIAL NEWS

Rise in margins helps Vicorp boost profits 62% in 3rd Q

by Bill Carlino

DENVER — Fueled by improved margins in a cluster of underperforming units and strong customer response to an array of new menu items, Vicorp Restaurants Inc., operator and franchisor of about 400 family restaurants, reported a 62-percent hike in profits for its third-quarter ended Aug. 5.

Based here, Vicorp Restaurants, parent of the Bakers Square and Village Inn concepts, said profits during the period hit $4.3 million, on a 9-percent increase in revenues, to $93 million.

"We've become a growth company rather than one that's engaged in a turnaround strategy," said Peter Doane, vice president and treasurer for Vicorp Restaurants Inc. "In addition to increased bottom-line results, we're just doing a better job of running restaurants."

As an example, Doane cited increases in both systemwide and same-store sales, 6.7 percent and 10.8 percent, respectively. Over the past year Vicorp added about 10 Bakers Square restaurants to the system, including two during the third quarter.

For the 40-week period, Vicorp's net income rose 78 percent, to $12 million, on an 11-percent jump in revenues, to $303 million.

Doane stressed that a major reason for Vicorp's financial upswing is a significant improvement in profit margins at the company's California Bakers Square units.

During the third quarter of 1990, the 89 California-based restaurants reported store margins exceeding the 8-percent level, while systemwide margins for both concepts are running at about 10 percent.

"That might not sound like anything extraordinary," Doane admitted. "But considering what the California units were doing in the last several years, that's a dramatic improvement."

> "We've become a growth company rather than one that's engaged in a turnaround strategy."

He said that as recently as 1988 the California Bakers Square restaurants were either wallowing at the break-even point or submerged in red ink. The first real signs of margin improvement appeared in 1989 with a modest 4.8 percent.

"What really hurt was the lengthy conversion process from the Sambo's units," said Doane, referring to Vicorp's $84 million purchase of 175 restaurant locations from the now-defunct operation in 1984.

Scheduled for conversion to both Bakers Square and Village Inn units, the process consumed nearly four years, shearing off margin percentages for both concepts in the process. Doane said the California restaurants were hardest hit.

In addition to the gradual turnaround in California, Vicorp's profits were nudged upward by an enthusiastic customer response to last February's introduction of new menu items in both Bakers Square and Village Inn.

In the 161-unit Bakers Square chain, Vicorp added four mixed grill entrées — beef, chicken, seafood and a combination platter, each of whichcost between $7 and $9.

"When you consider the average check for Bakers Square is about $5 or $6, that's a high-ticket item for us," Doane added.

For the 121-unit Village Inn restaurants, the operation added a taco and a Cobb salad and several grilled chicken sandwiches. Depending on the market, both the salads and the chicken sandwiches retail for between $5 and $6.

Doane said Vicorp's fiscal systemwide and same-store sales projections for 1990 align with the company's current uptick.

For fiscal 1990, Bakers Square units in the Midwest are projected to hit $1.75 in annual sales compared with the $1.7 million reported during 1989, while the California units are expected to hit $1.4 million from the year-ago number of $1.3 million.

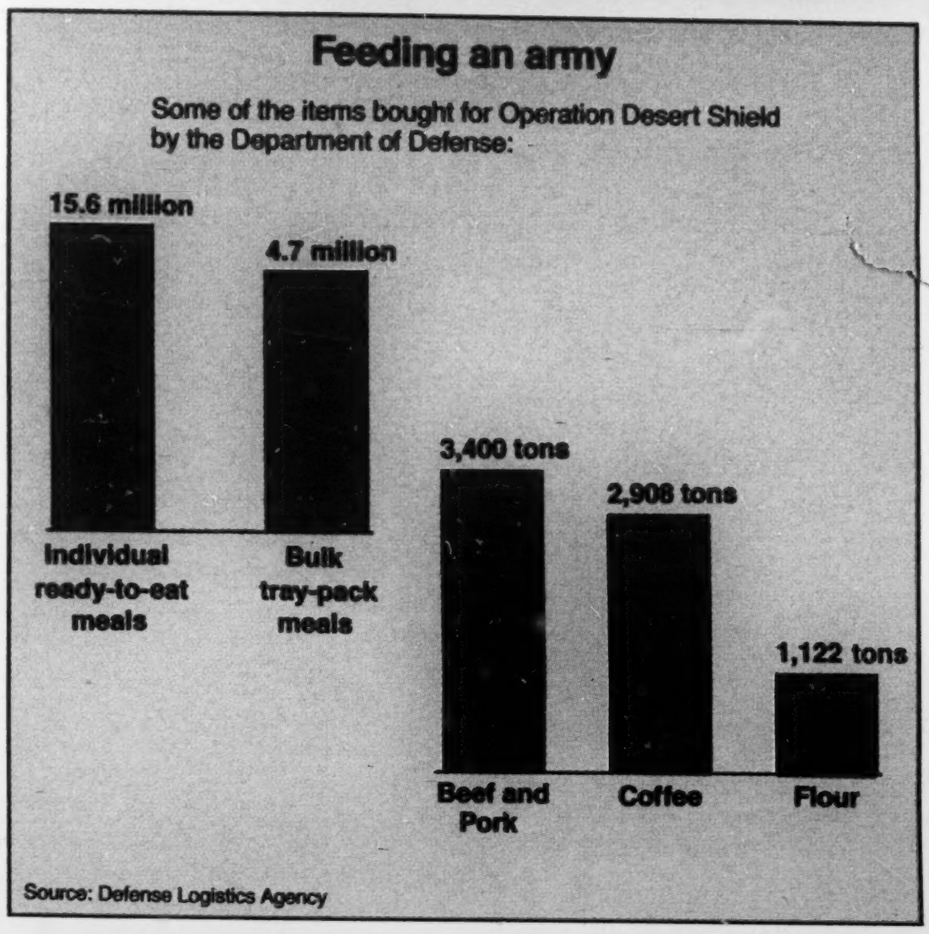
Florida-based Village Inn units are expected to average a $900,000 volume, a $30,000 jump from that of the previous-year, while Western-based restaurants should top $1.2 million in 1990, up from $1.15 million in 1989.

In addition to projected same-store increases, Vicorp's systemwide sales are projected to top $500 million for fiscal 1990, an 11-percent increase over the prior year.

Doane said the company has also committed $120 million for growth and expansion for the Baker's square concept from 1990 to 1992 with a long-range proposal to open about 34 units by 1992. Vicorp will concentrate on expanding the Bakers Square concept exclusively.

As Doane explained it, "We've come a long way, but we still have a way to go."

FACT FILE



FINANCIAL DIGEST

National Pizza buys back shares

PITTSBURG, Kan. — The bear market that stomped stock prices following the Iraqi invasion of Kuwait has prompted National Pizza to buy back its own stock at bargain prices.

The largest Pizza Hut franchisee said it would repurchase up to 1 million shares of stock, or 7.3 percent of the 13.8 million shares outstanding.

National Pizza's stock traded as high as $25 a share earlier this year. On Aug. 1, the day before the Middle East flare-up, the company's shares closed at $21. By week's end, National's stock price had slumped to $16, just 25 cents shy of a 52-week low.

In recent trading, the company's stock has rebounded to $18.75.

Ben & Jerry's posts 11% profit increase

WATERBURY, Vt. — Ben & Jerry's Homemade Inc., a retail manufacturer of premium ice cream and the operator of the 90-unit Ben & Jerry's ice-cream chain, reported an 11-percent hike in net income, to $787,000, for the second quarter ended June 30.

The company attributed the increase to the initial consumer response to the rollout of Ben & Jerry's Light — a six-flavor product line with one-third the amount of fat and cholesterol of the standard Ben & Jerry's ice cream.

During the second quarter sales for Ben & Jerry's hit $20.2 million, an increase of 28 percent over the figure for the same period last year.

Skyline Chili reverses 3rd-Q fortunes

CINCINNATI — Skyline Chili said it earned $217,258 in the third quarter ended Aug. 5, on an 11-percent gain in sales, to $4.9 million.

In the year-ago quarter, Skyline Chili said it lost $233,000 because of the closing of six unprofitable company restaurants.

The company attributed the third-quarter improvement to real sales gains at its restaurants, sales of frozen product in supermarkets and last year's restructuring.

The company said that through the first three quarters net income was $452,000, up from $68,000 in the year-ago period, on an 8-percent hike in sales, to $14.9 million.

Piccadilly Cafeterias improves 4th-Q net

BATON ROUGE, La. — Piccadilly Cafeterias cited improved labor and food costs for an 11-percent increase in net income, to $2.9 million, on a 4-percent gain in sales, to $77.2 million, for the fourth quarter ended Aug. 8.

The company ended its fiscal year with a 5-percent jump in net income, to $11.9 million, on annual sales of $306.6 million, an 11-percent improvement.

"We are encouraged by our efforts in controlling direct costs, especially labor, in light of the pressures we face during the quarter from a mandatory increase in minimum-wage compensation and soft customer counts," James C. Malmberg, president and chief executive officer, said in a statement.

The company pointed out that the earnings and sales gains came despite a 1-percent decrease in total customer counts during the quarter. Traffic for the year increased 3 percent.

The company operates 142 cafeterias in 14 states in addition to six Ralph & Kacoo's seafood restaurants.

FOOD PRICE OUTLOOK

Demand drives oil prices upward

by Patt Patterson

Several factors are affecting **cooking oil** prices.

Current prices for basic vegetable-oil stocks are higher on greater demand.

The race away from animal fats, especially by the large fast-food chains, has put a heavy pressure on supplies.

Capacity for production of some oils is being strained.

And the soybean crop, which supplies a major portion of the oil supply, is down because of heat or drought or both in some of the main growing areas: the Mississippi delta area and the Southeast. Don't look for any immediate reversal of the upward trend.

Wheat is another story. Wheat prices have sagged because of the Middle East crisis, with Iraq, one of the largest customers for U.S. wheat, cut off.

The picture is less clear in the Soviet Union. Antiquated distribution seems to threaten a large part of one of their biggest wheat crops of all time.

Some exporters are gearing up for what they think will be large purchases, thus pushing wheat prices up.

It's interesting that when wheat prices drop, operators are told that the reason there are no reductions in the price of baked goods is that the actual cost of wheat flour is so minor. Yet when prices of wheat rise, the prices of those same baked goods quickly move up, too.

Recent price cuts in **frozen orange juice concentrates** from distributors should be seen soon.

Brazilian producers lowered their prices, because of good supplies there. Since Brazilian concentrate makes up as much as half of some Florida producers' product, reductions are being passed along.

The next price move will probably be next month, when the U.S. Department of Agriculture's preliminary forecast of the Florida orange crop for 1990-1991 is issued.

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East meets West; North meets South

The Colonel welcomes a customer in Beijing. A world of change is taking place, and U.S. foodservice operators are cashing in by going abroad. Communism is crumbling in Eastern Europe. In Western Europe a whole new set of economic rules is being written for 1992. U.S. operators are digging new footholds in Mexico, Japan, Australia and all along the Pacific Rim. The possibilities see[illegible]e they? Nation's Restaurant News takes a cor[illegible]

Wo[illegible]oodservice goes global begins on page 142.

'Basics' back in style as food frenzy fades

Nuts and bolts of operations take center stage as novelty wears thin, experts declare

by Paul Frumkin

KANSAS CITY, Mo. — The frenzied, freewheeling spirit that dominated the American fine-dining restaurant scene in the 1980s has given way to a more restrained, operations-oriented mood in the 1990s.

Many of the experts attending the American Restaurant of the '90s conference here observed that the boom years of the last decade — which spawned great culinary creativity and seemingly unending lines of liberally spending customers — are all but over, and the new economic order will demand far more from restaurateurs than just novel fare.

"The market is disappearing, and I don't think it will ever come back," restaurateur and consultant Joe Baum told attendees flatly. "We should have anticipated that people coming to restaurants in large numbers would have stopped one day."

Louis Osteen, chef-owner of Louis's Charleston Grill in Charleston, S.C., summarized the challenges facing fine-dining operators by saying, "Today you have to put as much energy into bringing new customers in as you did a few years ago trying to fit them all into your restaurant."

Nevertheless, there was general agreement among panelists and audience alike that many fine-dining operators are, in reality, well situat-

(See '90s OUTLOOK, page 4)

DECIDING THE DETAILS

NRA, US officials meet on rules for disabled-rights act

by Peter Romeo

WASHINGTON — Fearing that foodservice operators could be saddled with some outlandish obligations, an industry delegation met here with federal regulators to discuss what responsibilities a restaurant should bear under a sweeping new disabilities law.

The Americans with Disabilities Act, a landmark measure that mandates extensive changes to make jobs and public places more accessible to impaired persons, does not take effect until 1992. But the U.S. Justice Department and the Equal Employment Opportunity Commission are already translating the law's broad guidelines into the rules and regulations that will actually govern the operation of restaurants and other businesses.

Businessmen have glumly noted that rules, which could greatly influence their enterprises, are being written by persons whose expertise is in law, not business.

"Don't think that the people who are drafting these regulations have practical minds," warned Elaine Graham, director of federal relations for the National Restaurant Association.

"There have been discussions about how restaurants could use blind persons as cashiers," she recounted.

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Dairy Queen gets its Druther's: Regional chain joins IDQ system

by Milford Prewitt

LOUISVILLE, Ky. — For the second time in 10 years, Druther's International will change the name of its 140-unit restaurant chain as a result of a six-state territorial franchise agreement with International Dairy Queen.

Formerly known as Burger Queen, the chain will convert 100 of its quick-service, family-oriented restaurants over the coming months into Dairy Queen and will rally its franchisees to follow suit.

The deal gives Druther's the right to subfranchise existing corporate and franchisee-operated Druther's restaurants in Kentucky, Tennessee, West Virginia, Virginia, Indiana and Illinois.

Tom Hensley, the president of Druther's, said the agreement is laden with advantages for his company and IDQ, providing each a chance to benefit from the other's strengths.

"We see an opportunity to

(See DRUTHER'S, page 199)

LA McD offers all-you-can-eat breakfast deal

by Richard Martin

LOS ANGELES — A veteran McDonald's franchisee has launched a $2.99 "all-you-can-eat" weekend breakfast promotion at two McD outlets here.

Priced at $1.49 for children 12 and under, the banner-touted "Million $ Munch" offers free extra helpings of eggs, pancakes, sausages, hash browns and english muffins but does not include breakfast sandwiches, à la carte hash browns, apple-bran muffins,

(See MCD, page 199)